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June 14, 2000

VIA HAND DELIVERY

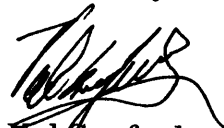
Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37201

In Re: *Joint Petition of Crockett Telephone, Inc., People's Telephone Company,
West Tennessee Telephone Company, Inc. and the Consumer Advocate
Division of the Office of the Attorney General for the Approval and
Implementation of Earnings Review Settlement*
Docket No. 99-00995

Dear Mr. Waddell:

Enclosed for filing are the original and thirteen copies of the Comments of AT&T Communications of the South Central States, Inc. as to Issues Proposed by TEC Companies and the Consumer Advocate Division in the above-referenced case. Copies are being served on counsel for parties of record.

Yours very truly,


Val Sanford

VS/ghc

Enclosures

cc: Vance L. Broemel
T. G. Pappas and R. Dale Grimes
James P. Lamoureux
Garry Sharp

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: *Joint Petition of Crockett Telephone, Inc., People's Telephone Company, West Tennessee Telephone Company, Inc. and the Consumer Advocate Division of the Office of the Attorney General for the Approval and Implementation of Earnings Review Settlement*

Docket No. 99-00995

COMMENTS OF AT&T COMMUNICATIONS OF THE SOUTH CENTRAL STATES, INC. AS TO ISSUES PROPOSED BY TEC COMPANIES AND THE CONSUMER ADVOCATE DIVISION

At the Pre-hearing Conference on June 9, 2000, the Pre-hearing Officer directed each party to file written comments as to the issues listed by the other parties. Pursuant to that direction, AT&T Communications of the South Central States, Inc. ("AT&T") makes the following comments with respect to the issues listed by the TEC Companies and by the Consumer Advocate Division ("CAD"):

THE ISSUES PROPOSED BY THE TEC COMPANIES

1. Whether the Settlement Agreement between TEC and the Consumer Advocate Division should be approved?

Of course, this is the ultimate, overall issue in this matter. It includes all possible specific issues which might be raised. Therefore, it is so broad as to be useless in defining the specific issues to be addressed and determined. The purpose of an issues list is to focus the proceeding on the specific issues which reflect the positions of the parties. This issue provides no such focus. Therefore, AT&T suggests that it is not proper for inclusion.

2. Whether TEC and the Consumer Advocate Division fairly and reasonably calculated the amount of projected overearnings of the TEC Companies for the years 1999-2001?

AT&T does not raise this as an issue; but AT&T does not object to the inclusion of an issue as to the amount of projected overearnings as raised by the TEC Companies. However, AT&T does object to the use of "fairly and reasonably" as the proper standard for measuring such overearnings. A more appropriate phrasing would be, "whether the projected overearnings of the TEC Companies for the years 1999-2001 as reflected in the Settlement Agreement were calculated consistently with the legal and regulatory policies to be followed with respect to companies subject to rate base rate of return regulation."

3. Whether TEC and the Consumer Advocate Division fairly and reasonably made adjustments through rate design, credits, and expenses to offset the calculated amounts of overearnings.

This issue is contained in AT&T's issues #1, #2, #3, #4, #5, #6, #7, #8, #9, and #10.

TEC identifies the general issues of "rate design", "credits", and "expenses" as adjustments made to offset the calculated amounts of overearnings. AT&T agrees that a determination must be made as to the appropriateness of the adjustments proposed in the settlement. AT&T believes the TEC issue should be refined to identify and consider 1. legal and regulatory policies of the Tennessee Regulatory Authority and 2. the application of legal and regulatory policies to the proposed adjustments in the

Settlement. AT&T does not believe TEC's "fairly and reasonably" standard is the appropriate standard.

AT&T's issues #1 and #2 addresses the legal and regulatory policy basis for the adjustments proposed in the settlement. AT&T's issues #1 and # 2 and TEC's "fairly and reasonably" standard could be consolidated into the following issue:

What are the legal and regulatory policies for the adjustments proposed in the Settlement Agreement?

TEC's adjustments to rate design, credits, and expenses are addressed in AT&T's issues #3 - #10. These issues could be consolidated into the following issue:

How were the legal and regulatory policies of the Tennessee Regulatory Authority applied or considered for the following issues:

- a. What was the basis including revenue to cost relationship of setting the rates for "residence access lines" in the forecast of revenues of the TEC companies?
- b. What was the basis including revenue to cost relationship of setting the rates for "business access lines" in the forecast of revenues of the TEC companies?
- c. What was the basis including revenue to cost relationship of setting the rates for access charges included in the forecast of revenues of the TEC companies?
- d. Whether revenues exceed costs for the following services: a. residence access lines; b. business access lines; c. access charges paid by interexchange carriers to TEC companies.
- e. Should rates for services priced below cost be further reduced in making the revenue adjustments to resolve the forecast of overearnings of the TEC companies?
- f. Should rates for services priced above cost be reduced in making the revenue adjustments to resolve the forecast of overearnings of the TEC companies?

4. Whether the issues raised by AT&T Communications of the South Central States should be transferred to the Access Charge Reform Docket, No. 97-00889, and the Universal Service Docket No. 97-00888, so that the impact of AT&T's proposals on all telecommunications providers may be considered.

AT&T has made no proposals. The issues in this proceeding are necessary for a determination of this proceeding. This issue is essentially the same issue raised by the CAD in its Motion for Summary Judgment and in its issue #4. As stated below in response to the CAD's issue #4, this issue should be disposed of in disposing of the CAD's Motion for Summary Judgment.

5. Whether the Settlement Agreement between TEC and the Consumer Advocate Division should be modified in light of changes to the IntraLATA Revenue Distribution Fund agreement proposed by BellSouth Telecommunications, Inc.

This issue is contained in AT&T's issues #11 and #15.

TEC has appropriately identified the intraLATA compensation between TEC and BellSouth as an issue in this case. However, in order to decide the issue raised by TEC about changes to the fund agreement, information and details about the agreement itself must be made available for review and analysis before a decision can or should be made "in light of changes" to the agreement. Without knowing the details of the original agreement(s), an appropriate decision cannot be made about incorporating changes into this case.

AT&T agrees with TEC that the issue of the IntraLATA Revenue Distribution fund agreement should be included in the list of issues. TEC's Issue 5 and AT&T's Issues 11 and 15 address essentially the same subject, but AT&T's statement of the issues is

preferable as being more specific. Alternatively, TEC's issue #5 and AT&T's issue #11 and #15 could be consolidated into the following issue:

What agreements and/or procedures did the TEC companies and BellSouth Telecommunications, Inc. have for payments and compensation of intraLATA traffic between their companies included in the forecast of revenues of the TEC companies and what, if any, adjustments have been made to such agreements?

6. Whether the discovery requested in items 2, 3, 5, 6, and 7 of AT&T's First Requests for Discovery should be denied because the information sought is proprietary, production would be unduly burdensome, irrelevant because TEC's rates are developed on a residual basis, and the rules regarding and funding of state universal service in Tennessee have not been established.

This is not a proper issue for inclusion in an issues list. If the TEC Companies wish to object to any of AT&T's discovery requests, then they should follow the proper procedure by responding to the discovery requests, answering as they will and objecting as they will, stating the reasons for their objections as the rule requires. AT&T can then respond to such objections and the objections will be properly ready for decision.

THE ISSUES PROPOSED BY THE CAD

1. Whether the Settlement Agreement between TEC and the Consumer Advocate Division should be approved.

See comments to TEC Issue # 1.

2. Whether AT&T's proposed rate design benefits only AT&T, is not in the interest of TEC consumers, and is not "just and reasonable" as required under Tennessee law and is not in the public interest and should be dismissed.

AT&T has made no "proposed rate design." AT&T does question the validity of the rate design reflected in the Settlement Agreement and does contend that an appropriate rate design would include a reduction in access charges.

This is the first point made in the CAD's Motion for Summary Judgment. As pointed out in AT&T's Reply, the CAD's Motion for Summary Judgment is without merit and should be denied. As phrased, this is not an issue for consideration on the merits. To the extent it raises questions as to rate design, it would be included under the TEC Companies' Issue # 3 as modified by the inclusion of the specific AT&T issues as discussed above.

3. Whether AT&T's claims are barred on the ground of unclean hands because even though AT&T has alleged that TEC's access rates are not "just and reasonable," there is no proof in the record that AT&T's own rates are just and reasonable or that AT&T's rate of return is unjust and unreasonable due to access charge payments to TEC. Unless and until AT&T can demonstrate to the TRA that its

own rates are just and reasonable it should not be heard in its complaint that TEC's rates are not just and reasonable.

This issue is raised in the CAD's Motion for Summary Judgment, and as discussed in AT&T's Reply, is without merit and should be denied. It is not a proper issue for consideration on the merits. There is no authority whatever for the position that in order for a carrier to have standing to question the rates of another carrier, it must first prove in that proceeding that its own rates are just and reasonable. If the CAD wishes to challenge AT&T's rates, the proper procedure would be for the CAD to file a complaint.

This issue should not serve as the basis for discovery. By the inclusion of such an issue, the CAD is attempting to intimidate any opposition to its position through a deliberate campaign of harassment which should not be tolerated.

4. Whether, in the alternative, AT&T's complaint regarding access charges should be transferred to the Access Charge Reform Docket, No. 97-00889, which is now also being considered in the Universal Docket No. 97-00888.

This is essentially the same issue raised by the TEC Companies Issue #4. It was raised in the CAD's Motion for Summary Judgment and should be disposed of in disposing of that Motion. It is not a proper issue for a hearing on the merits. As AT&T demonstrated in its reply to the CAD's Motion for Summary Judgment, this issue is without merit. The issues in this case relate to the TEC Companies and to this proposed Settlement Agreement and should be determined in this proceeding. The proposed Settlement Agreement cannot properly be approved without a consideration of the issues raised in this proceeding.



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South Central States, Inc.

CERTIFICATE OF SERVICE

I, Val Sanford, hereby certify that I have on this 14th day of June, 2000 served via Hand-Delivery, the foregoing Comments of AT&T Communications of the South Central States, Inc. as to Issues Proposed by the TEC Companies and the Consumer Advocate Division on T. G. Pappas and R. Dale Grimes, Esq. Bass, Berry & Sims, 315 Deaderick Street, Suite 2700, Nashville, TN 37238-2700 and Vance Broemel, Esq., Consumer Advocate Division, 425 5th Avenue, North, Nashville, Tennessee 37243.



Val Sanford